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## Home prices, sales up again

*But analysts say true measure of industry's recovery on Oahu will come when tax credits end*

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O'ahu's housing market appears to have established a firm footing toward recovery, with sales activity in March marking the third consecutive month that single-family home median prices rose over the same month last year.

The number of sales also continued to grow, according to a report from the Honolulu Board of Realtors. The same was true for condominium sales.

However, some observers wonder whether the improvements will continue after federal tax credits for home purchases expire at the end of this month, which is keeping some leaders of the industry from proclaiming that the market is rid of weakness in home prices.

The pipeline of home foreclosures, which is hard to quantify, is another concern that could affect the industry.

This year so far, however, the housing market has exceeded expectations of many who believed a recovery would be long and slow.

Last month, the median purchase price for previously owned single-family homes rose 4.2 percent to \$599,000 from \$575,000 a year earlier. That followed increases of 3.6 percent in February and 10.8 percent in January.

The number of homes sold was up 32.1 percent to 251 in March from 190 a year earlier.

It was the seventh straight month that there were more sales than a year earlier. Since September, the sales volume increases ranged from 13.5 percent to 46.5 percent.

"Sales in the O'ahu residential real estate market have continued to boom over the past several months, and prices have remained relatively steady," Brian Benton, president of the Honolulu Board of Realtors and an agent with Prudential Locations, said in a statement.

One caveat with the March sales report is that it involves data treated differently than in the past. The Honolulu Board of Realtors has contracted out data collection to 10k Research and Marketing, an affiliate of the Minneapolis Area Association of Realtors that produces statistical reports for multiple real estate agent trade associations.

In the March report, the \$575,000 median price for March 2009 was revised down from \$600,000

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as reported last year. The Honolulu Board of Realtors indicated that last month's median and the year-ago figure were both affected by the change in methodology and that the adjustment isn't statistically significant.

The number of sales for March 2009 was revised up by two.

Previously, the Honolulu Board of Realtors compiled its own data, but decided to outsource the work after its longtime economist Harvey Shapiro died in September.

## stimulus' impact

Perhaps a bigger question that will soon be answered is to what extent the federal tax credits have pumped up the market.

The stimulus program was intended to shore up U.S. housing markets by providing qualifying first-time homebuyers up to an \$8,000 rebate on the purchase of a home. The incentive, which began at the beginning of last year, initially was set to expire in December.

Federal officials extended and expanded the program this year to continue the \$8,000 credit for first-time homebuyers and add a credit up to \$6,500 for qualifying repeat buyers. Under the program, purchase contracts must be signed by April 30 and close by June 30.

Some market observers question how much impact the tax credit program is having, and suggest that sales won't fall significantly after the program ends. But economists say such stimulus programs can have the effect of advancing sales that would have occurred later had there been no stimulus, and expect a drop of activity after the stimulus is gone.

Because the Honolulu Board of Realtors report counts completed sales, it won't be until June or July when sales contracts signed in May are reflected in the report.

## pending purchases

In one sign that sales could see a dip ahead, the number of home purchases that were pending in March was down about 50 percent from the same month last year. It typically takes one to three months for a sale to close after a purchase contract is signed.

In part because the incentive program is set to expire, local economists including Paul Brewbaker and the University of Hawai'i Economic Research Organization expect home prices will settle with a roughly 1 percent gain for the whole year. The gain for the first three months of the year was 4.4 percent.

UHERO is forecasting that the median condo sale price this year will decline 1 percent.

Last month, the median condo sale price rose 3.3 percent to \$310,000 from \$300,000 a year earlier. It was only the second consecutive increase for the monthly median price since the downturn took hold, following a 0.3 percent rise in February.

The number of condo sales rose 36.4 percent to 352 last month from 258 a year earlier.

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Other data sets in the report including the number of homes on the market, days homes spent on the market before selling and months of remaining inventory were difficult to assess because of significant changes in methodology for calculating these measures.

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